



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6

1445 ROSS AVENUE, SUITE 1200  
DALLAS, TX 75202-2733

MAR 21 2011

**CERTIFIED MAIL, RETURN RECEIPT REQUESTED:**

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Mr. Michael Schoch  
Director, Environmental/Health/Safety  
Hilcorp Energy Company  
P.O. Box 61229  
Houston, Texas 77208-1220

Re: Draft Consent Agreement and Final Order  
Docket Nos. **CWA-06-2011-4801** through **4826**

Dear Mr. Schoch:

In follow-up to our phone conversation today, I am writing to advise Hilcorp Energy Company of remaining actions needed to resolve the above referenced administrative penalties. It is my hope that all remaining issues can be resolved in a timely manner so that we might move forward with settlement of these actions.

While Hilcorp has been cooperative in providing the necessary documentation to resolve most of the issues identified during Spill Prevention Control and Countermeasures (SPCC) inspections of the subject facilities, there remain some unresolved issues that continue to prevent settlement of these actions. Hilcorp has provided documentation to refute many of the original findings of the inspections, and in most cases where it has been acknowledged that a violation has occurred, Hilcorp has taken appropriate corrective measures. As a result, EPA will be able to make an offer for significantly reduced penalties once the remaining non-compliance issues have been resolved. With the exception of the Bayou Long facility (Docket No: CWA-06-2011-4815), EPA will propose reduced penalty amounts for each of the penalty actions, provided that Hilcorp commits to needed changes in their training and inspection programs for the subject facilities.

Hilcorp's current training program does not fully comply with the established requirements for personnel training and discharge prevention procedures set forth at 40 CFR 112.7(f). While there is clear evidence that many of the required elements for personnel training are in place, Hilcorp's training program lacks adequate instruction on applicable pollution control laws, rules, regulations, and the contents of the SPCC plan. Hilcorp has established a robust training program for U.S. Coast Guard requirements set forth at 33 CFR 154 and 156, but does not have a commensurate level of training for SPCC requirements.

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With regard to inspections, the current program utilized by Hilcorp has inadequate written procedures and recordkeeping practices needed to identify and ensure correction of equipment failures which might lead to a discharge. The Excel spreadsheets used for facility "audits" address safety practices, signage, security, housekeeping, fall prevention, respiratory protection, ladders and scaffolds, welding, excavation, and multiple other areas, but they fail to provide a commensurate level of specificity for many basic SPCC inspection issues pertaining to the maintenance and condition of secondary containment systems, storage tanks, and appurtenances.

If Hilcorp wishes to pursue settlement of the above referenced administrative penalty actions at a reduced overall penalty amount, you must submit documentation of revisions to your training and inspection programs made to address the above described deficiencies within forty-five (45) days. Please be advised that, if we are unable to cooperatively reach a satisfactory conclusion for these ongoing compliance issues, EPA may be forced to withdraw any offer of settlement and pursue filing of a formal complaint seeking both corrective action and increased penalties.

With regard to the Bayou Long facility, the elevation survey you conducted shows that river elevations have been at or above the tank bottom elevation for the facility an average of 27 days per year during the past three years. This situation makes it impossible for Hilcorp to provide adequate secondary containment, and will necessitate the submittal of a plan and schedule for addressing the problem before EPA can move forward with settlement. Please submit a plan and schedule for corrective action at the Bayou Long facility when you submit the above described revisions to your training and inspection programs.

If you have any questions, or would like to discuss this matter further, please feel free to contact me at (214) 665-8489.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson F. Smith", written in a cursive style.

Nelson F. Smith  
Oil Pollution Act Enforcement Officer  
Prevention and Response Branch  
Superfund Division